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BUSINESS GUIDE

Overcome Your Invoice Management Woes With AP Automation





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Every day, businesses pay dozens or hundreds of bills with little thought about how the process might be improved. A bookkeeper or accountant simply goes through the motions: Review the bill, validate it against the purchase order and receiving documents, enter it into the accounting system, send it out for required approvals, and submit a payment. The work is not only time-consuming, but repetitive and boring. Accounts payable (AP) is often treated as a necessary evil — vendors need to be paid, after all.

Technology, however, has opened the door to a far more efficient and painless AP process, one that stretches beyond digitization of long-standing methods. Automation fundamentally improves your AP process to save time, reduce costs, increase revenue, and minimize errors. It's a game-changer for accounting teams and finance leaders, especially in a time when many are tasked with finding ways to cut costs and deliver greater value to the organization. That has only strengthened the case for automation.

To realize the value of full AP Automation, you must first understand where manual processes fall short and how they hurt your bottom line. So we'll detail a number of common AP challenges and then explain how NetSuite AP Automation addresses them to save your business substantial time and money while letting your team members focus on work where they provide real value.

11 Common AP Challenges Businesses Face

Anyone who's ever worked in an accounting department is aware of the headaches and issues that come from manually paying bills. It's a long list, but these challenges fall into four groups: inefficient manual processes, insufficient oversight, process complexity, and poor visibility.

Inefficient Manual Processes

1. **Data entry errors:** Manual data entry is a common source of errors because it's easy to transpose numbers or leave out a digit when entering a vendor bill or replicating data from one system to another. The chance of mistakes only increases when manual work is spread across a handful of people who painstakingly type in hundreds of bills every week. With limited time during the financial close process, it's not always possible to review each transaction, meaning these errors slip through the cracks. That leads to inaccurate financial reports, an especially costly mistake for publicly traded companies or those preparing for an IPO.
2. **Wasted resources:** As a non-revenue-generating group, accounting is never among the first teams to add headcount as a company grows. Yet accountants have one of the most important jobs because they ensure compliance with applicable laws and regulations and monitor the company's financial health. That makes their time precious. Tracking

down, entering, and initiating payments for bills is not a good use of that precious time. That, along with the time spent waiting for approvals, printing and mailing checks, and initiating ACH transfers, limits productivity and wastes hours that should be spent on other critical responsibilities.

3. **Payment delays:** Time-consuming manual methods result in delayed payments to vendors, which hurts your bottom line in a few ways. First, many companies offer early payment discounts, and a slow AP workflow can make it a struggle to pay on time, much less early. While it may not make sense to take advantage of every discount, even the occasional early payment can make a difference over time. Second, many suppliers tack on late fees for past-due bills, unnecessarily adding to costs.
4. **Unhappy suppliers:** Suppliers are critical to the viability of any business, so you don't want to upset them. Frequent requests for extensions or late payments make you a difficult client, and the result can be less forgiving payment terms, a lower credit limit, and sometimes even higher prices. While purchase volume is the primary driver of price, suppliers tend to offer good customers better prices, terms, and credit. It can also affect the level of service you receive. For example, if a vendor has limited supplies — a common scenario as of late — it will prioritize its best customers.

Lack of Oversight

5. **Vendor billing errors:** Whether because of an innocent mistake or attempted fraud, the bills you receive are not always accurate. A higher unit price or unit quantity than what was actually ordered will increase your payables, but an employee buried in bills may just pay without checking the purchase order and receiving documents in the name of efficiency. Or they may be moving quickly and accidentally overlook discrepancies. Both situations add a completely avoidable expense.

How Much Do Manual AP Processes Cost You?

Research conducted by the American Productivity and Quality Center (APQC) illustrates the benefits of automating the accounts payable process. According to APQC data, automation saves time, reduces processing costs, and helps avoid late payments.

Cost to Process Accounts Payable (per invoice)

Top Performers	\$ 2.05
Median	\$ 5.78
Bottom Performers	\$10.00

Average Days Payable Outstanding

Top Performers	30	(25th percentile)
Median	40	
Bottom Performers	53	(75th percentile)

Time From Receipt of Invoice Until Scheduled for Payment (in days)

Top Performers	2.8	(25th percentile)
Median	4.0	
Bottom Performers	7.0	(75th percentile)

6. **Payment fraud:** The threat of AP fraud is ever-growing, and manual processes increase the risk of falling victim to these schemes. Fraudulent bills could come from an actual vendor, a company you don't do business with, or an employee. But if the business doesn't always follow the procedures in place as financial controls, these fraudulent bills can get paid.

7. **Poor internal controls:** Without clear and logical approval hierarchies, it's much more likely that erroneous or fraudulent bills will be paid. So not having or following a well-designed approval process is one problem, but so is a sluggish process. Slow approvals result in delays that, as we've already explained, cost your business money.

Complex Processes

8. **Multiple payment systems:** There are many methods a business might use to make payments, including checks, corporate credit cards, ACH transfers, and online payment service providers. Different payment methods often require different systems, each with its own process. This complexity leads to confusion, errors, and delays.
9. **Reconciliation challenges:** Disparate systems mean your payment data is spread all over, which makes reconciling all transactions in your general ledger an unpleasant adventure. Every month, you must sift through bank statements, credit card statements, and payment provider records — which often show payments in bulk, rather than by individual transaction — to find the information you need.

Poor Visibility

10. **Bill payment status:** Once an AP clerk submits a payment, it's often a black hole. They mail the check or start the ACH transfer and then cross their fingers that everything goes as expected. This is especially problematic if there is no way to monitor the status of approvals, as the payment could be sitting in limbo.
11. **Credit card balances:** The team may not have a reliable way to track the real current balance or available credit on company cards because they do not yet reflect pending or canceled transactions. Outdated financial information misleads decision-makers about the amount of available cash and thus the funds available to pay other expenses.



Automating the Entire Payables Process With NetSuite

NetSuite AP Automation eliminates much of the opportunity for human error and mitigates other challenges that come with manual processing of payables. The tool makes paying bills extremely straightforward and efficient to dramatically reduce the workload for your accounting team. The solution includes four key components:

1. Bill capture

As vendor invoices are received, they are scanned using a combination of machine-learning-based object detection and optical character recognition to convert details like vendor name, amount due, unit price, and quantity into digital text. Artificial intelligence (AI) compares invoice details with previous entries then automatically populates relevant fields with the appropriate text. The use of AI means bill capture becomes smarter over time as more bills are reviewed.

Bill capture eliminates much of the manual data entry required to add vendor invoices to NetSuite, saving time, reducing errors, and giving accounting more time to analyze billing data and investigate anomalies. This also prevents delays to avoid late fees and help you stay on good terms with suppliers.

2. Invoice matching and approvals

Automated three-way matching compares the vendor bill with the associated purchase order and receiving documents to ensure pricing, quantities, and total charges are correct. Standard workflows automatically email bills for management approval. Using NetSuite SuiteApprovals, finance leaders can tailor approval workflows to support complex internal rules and approval hierarchies.

Invoice matching prevents you from overpaying vendors that send you erroneous or fraudulent bills.

SuiteApprovals strengthens financial controls and reduces the risk of fraud by ensuring the right person or people sign off on vendor payments. All of this translates to significant savings.

3. Payment and reconciliation

NetSuite AP Automation centralizes supplier disbursements with the help of HSBC. With AP Automation, you can pay by virtual card, ACH transfer, or printed check with the click of a button. The HSBC virtual card saves time and improves security by allowing you to pay vendors with a single-use number instead of providing a credit card for them to keep on file. The card even earns 1% cash back on most payments, which can be applied to future bills. The HSBC service also supports payment via ACH transfer and third-party check printing and mailing. Payment history is automatically downloaded to NetSuite and matched to existing transactions or flagged if the system cannot find a matching record.

All of this makes for speedy, accurate payments, improving relationships with your suppliers, and minimizing chances for late fees or missed discounts for early payment. Having all this information in one system also makes reconciliation and payment tracking much easier. Additionally, automated payment and reconciliation saves your staff time, helping them become more strategic contributors and boosting job satisfaction and engagement.

4. SuiteBanking dashboard

Monitor all payables information in one place with the SuiteBanking dashboard. The dashboard highlights total outstanding payables, pending payments, the virtual credit card balance, and bank account balances. It also has reminders for payments that are awaiting approval, pending, or cancelled.

The ability to see the status of payments ensures settlement and helps you keep suppliers informed to avoid surprises. That will foster strong relationships that ultimately benefit your business. Additionally, a central source of payment and financial information allows for better cash management because you can optimize payment timing based on the latest information.

Third-party accounts payable services require you to log in to a separate system and either integrate it with your accounting system or transfer payment data manually, neither of which is ideal. NetSuite AP Automation has a lower total cost of ownership than similar solutions thanks to lower transaction fees and standard capabilities that others charge extra for. Best of all, it eliminates the need to work outside of NetSuite. Manage the entire AP process in the system you already run your business on.

Conclusion

As far as the finance function has come in the recent past, AP has not always received the attention it deserves. Paper ledgers turned into digital ledgers, and entering transactions instead of writing them down, but the process has remained largely the same. Many companies still enter digital invoices manually, then must dig up the corresponding documents to ensure they're accurate, cut a check or submit a payment online, and finally reconcile the transaction at month's end. It's not hard to see why employees turned to shortcuts and workarounds.

Never has there been a better time for NetSuite customers to overhaul their AP process. NetSuite AP Automation makes every step easier, and the value is obvious: Save money and let your finance function put their expertise to good use.





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